

Message Text

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ORIGIN NODS-00

INFO OCT-01 ISO-00 /001 R

DRAFTED BY E:CRFRANK:NAF/PB
APPROVED BY E:WDROGERS
AF - AMB. SCHAUFELLE
S/S - MR. SEBASTIAN

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P 232248Z DEC 76 ZFF6
FM SECSTATE WASHDC
TO AMEMBASSY BONN PRIORITY
AMEMBASSY PARIS PRIORITY
AMEMBASSY LUXEMBOURG PRIORITY
AMEMBASSY TOKYO PRIORITY
AMEMBASSY BRUSSELS PRIORITY
AMEMBASSY ROME PRIORITY
AMEMBASSY JIDDA PRIORITY
AMEMBASSY OSLO PRIORITY
AMEMBASSY COPENHAGEN PRIORITY
AMEMBASSY ABU DHABI PRIORITY
AMEMBASSY THE HAGUE PRIORITY
AMEMBASSY KUWAIT PRIORITY
AMEMBASSY TEHRAN PRIORITY
AMEMBASSY DUBLIN PRIORITY
AMEMBASSY STOCKHOLM PRIORITY
INFO AMEMBASSY LONDON PRIORITY
USMISSION EC BRUSSELS PRIORITY
AMEMBASSY CANBERRA PRIORITY
AMEMBASSY WELLINGTON PRIORITY
AMEMBASSY OTTAWA PRIORITY

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E.O. 11652: GDS

TAGS:PDEV, EGEN, RH

SUBJECT: ZIMBABWE DEVELOPMENT FUND: FURTHER CONSULTATIONS
WITH POTENTIAL DONORS

REF: STATE 304674

1. THE PURPOSE OF THIS CABLE IS TO PROVIDE GUIDANCE AND

BRIEFING MATERIAL TO DRAW UPON IN ANY FURTHER DISCUSSIONS AMEMBASSIES MIGHT HAVE WITH GOVERNMENTS ABOUT THE ZIMBABWE DEVELOPMENT FUND. POSTS MAY ALSO WANT TO USE THE MATERIAL CONTAINED IN THIS CABLE IN DISCUSSIONS WITH RESPONSIBLE BRITISH EMBASSY OFFICIALS.

2. DEVELOPMENT PURPOSES OF THE FUND

-- WITH THE ADVENT OF MAJORITY RULE, THE NEED TO RESTRUCTURE THE RHODESIAN ECONOMY WILL BE VERY GREAT, ESPECIALLY IN AGRICULTURE WHERE ABOUT 5,000 WHITE FARMERS OCCUPY HALF OF THE AGRICULTURAL LAND AREA. THESE EUROPEAN FARMING AREAS ARE FERTILE, WELL-WATERED AND CLOSE TO MARKETS. THE DRIER AFRICAN LANDS SUPPORT MILLIONS OF SMALL FARMERS AT BARE SUBSISTENCE STANDARDS OF LIVING. THE EDUCATION SYSTEM IS IMBALANCED IN THAT

IT PROVIDES FOR GREATER EDUCATIONAL AND TRAINING OPPORTUNITIES FOR WHITES THAN FOR BLACKS. THE AGRICULTURAL SECTOR AND THE EDUCATION SYSTEM WILL HAVE TO BE SUBSTANTIALLY RESTRUCTURED TO PROVIDE MORE ECONOMIC OPPORTUNITIES FOR BLACK ZIMBABWEANS.

-- AT THE SAME TIME, THE MODERN AGRICULTURAL AND INDUSTRIAL SECTORS PLAY AN IMPORTANT ROLE IN ZIMBABWE DEVELOPMENT. THESE MODERN SECTORS ARE RESPONSIBLE FOR
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THE GREAT MAJORITY OF RHODESIA'S TAX REVENUES, EXPORT EARNINGS, FOOD FOR URBAN DWELLERS, AND BASIC CONSUMPTION GOODS. THESE SECTORS PROVIDE ABOUT ONE MILLION JOBS FOR BLACKS AT WAGES THAT ARE RELATIVELY HIGH BY AFRICAN STANDARDS. DEVELOPMENT PROSPECTS WILL ALSO BE GREATLY ENHANCED BY EFFECTIVE PUBLIC ADMINISTRATION AND GOOD MANAGEMENT, AND EFFICIENT FUNCTIONING OF TRANSPORT AND POWER FACILITIES. THE MODERN SECTORS, THE PUBLIC SERVICE, AND PUBLIC UTILITIES, HOWEVER, ARE HIGHLY DEPENDENT ON MANAGEMENT AND LABOR SKILLS OF THE WHITE POPULATION.

-- SUCCESSFUL DEVELOPMENT IN ZIMBABWE WILL REQUIRE A DELICATE BALANCE BETWEEN RAPID RESTRUCTURING OF THE ECONOMY TO PROVIDE OPPORTUNITIES FOR BLACKS AND THE MAINTENANCE OF CONFIDENCE AMONG THE SKILLED WHITES TO ENCOURAGE THEM NOT TO ABANDON THEIR JOBS AND HOMES AND CAUSE A COLLAPSE OF THE ECONOMY. SUCCESSFUL DEVELOPMENT IN TURN IS ESSENTIAL TO THE MAINTENANCE OF A POLITICAL PEACE AND STABILITY IN ZIMBABWE.

-- THE FINANCIAL REQUIREMENTS OF A SUCCESSFUL DEVELOPMENT EFFORT WILL BE VERY GREAT AND LIKELY TO BE BEYOND THE ABILITY OF THE DOMESTIC ECONOMY, AT LEAST DURING A SUBSTANTIAL PERIOD OF ECONOMIC TRANSITION. THE RURAL

SECTOR WILL REQUIRE GREATLY EXPANDED AGRICULTURAL
EXTENSION SERVICES FOR AFRICANS; CONSTRUCTION OF NEW
ROADS, VILLAGES AND SOCIAL WELFARE FACILITIES IN
RESETTLEMENT AREAS; A RECONSTRUCTED SYSTEM FOR DIS-
TRIBUTING FARM INPUTS SUCH AS SEED AND FERTILIZER AND
FOR PROCESSING OF FARM PRODUCTS TO BETTER SERVE AFRICAN
NEEDS; AND INVESTMENT AND PRODUCTION LOANS FOR NEW OR
RESETTLED AFRICAN FARMERS. LARGE INVESTMENTS WILL BE
REQUIRED IN TRAINING AND EDUCATION FACILITIES TO EXPAND
OPPORTUNITIES FOR AFRICANS. AND THERE WILL BE A GREAT
NEED FOR BALANCE OF PAYMENTS SUPPORT, AT LEAST ON A CON-
TINGENCY BASIS, TO PROVIDE THE FOREIGN EXCHANGE BACKING
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FOR A RETURN TO MORE EXTERNAL ECONOMIC RELATIONS AFTER
THE LIFTING OF ECONOMIC SANCTIONS.

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3. THE FUND AND THE RHODESIA NEGOTIATIONS

-- THE FUND HAS HAD AN IMPORTANT INFLUENCE ON THE
NEGOTIATIONS FOR A POLITICAL SETTLEMENT IN RHODESIA AND
HAS THE POTENTIAL TO PLAY A CONSTRUCTIVE ROLE IN THE
FUTURE COURSE OF THESE NEGOTIATIONS. THE WILLINGNESS OF
THE UNITED STATES AND THE UNITED KINGDOM TO ORGANIZE AN
INTERNATIONAL SUPPORT FUND WAS AN IMPORTANT FACTOR IN
IAN SMITH'S DECISION TO ACCEPT MAJORITY RULE WITHIN TWO
YEARS. SMITH SOUGHT ASSURANCES THAT EUROPEAN FARMERS
WOULD RECEIVE FAIR COMPENSATION FOR THEIR FARMS, THAT
PUBLIC SERVICE PENSIONS WOULD CONTINUE, THAT RESIDENTIAL
HOUSING VALUES WOULD BE MAINTAINED, AND THAT EUROPEANS
WHO DECIDED TO LEAVE RHODESIA COULD REPATRIATE THEIR
FINANCIAL ASSETS OVER A PERIOD OF TIME.

-- OUR ORIGINAL IDEA WAS THAT A FUND COULD UNDERWRITE A
SAFETY NET FOR WHITE RHODESIANS BY PROVIDING THEM WITH
DIRECT PAYMENTS IF THE ZIMBABWE GOVERNMENT DID NOT PROVIDE
FOR MINIMUM STANDARDS OF COMPENSATION UPON SALE OF FARMS
AND HOUSES, PAYMENT OF PENSIONS, AND OPPORTUNITIES FOR
REPATRIATION OF LIQUID ASSETS. WE DECIDED, HOWEVER, THAT
DONOR AND CONGRESSIONAL SUPPORT OF THE FUND WOULD BE
MUCH GREATER IF THE FUND DID NOT MAKE DIRECT PAYMENTS
BUT INSTEAD GAVE INCENTIVES TO THE FUTURE GOVERNMENT OF
ZIMBABWE TO EXERCISE RESPONSIBILITY FOR IMPLEMENTING
PROGRAMS

WITH PROVISIONS DESIGNED TO ASSURE FAIR
TREATMENT OF THE WHITE POPULATION WHOSE CONFIDENCE IS
ESSENTIAL FOR ECONOMIC GROWTH.

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-- MOST OF THE PRESS PLAY ABOUT THE FUND DURING AND SHORTLY AFTER SECRETARY KISSINGER'S AFRICAN TRIP LAST SEPTEMBER EMPHASIZED THAT THE FUND WOULD SUPPORT GUARANTEES AND ASSURANCES FOR WHITES. PRESS REPORTS ERRONEOUSLY CHARACTERIZED THE FUND AS A SCHEME TO BUY-OUT OR COMPENSATE EUROPEANS WHO WISHED TO LEAVE ZIMBABWE. SOME BLACK NATIONALISTS, PARTICULARLY NKOMO AND MUGABE, HAVE REACTED TO THESE PRESS REPORTS BY PUBLICLY CRITICIZING THE FUND.

-- IN OUR CONSULTATIONS WITH THE BRITISH OVER THE LAST COUPLE OF MONTHS, WE DRAFTED THE DOCUMENTS THAT ARE BEING PRESENTED BY THE U.S. OR U.K. IN ACTION CAPITALS. THE CLEAR FOCUS OF THESE DOCUMENTS IS ON A FUND TO SUPPORT ECONOMIC AND SOCIAL DEVELOPMENT IN ZIMBABWE.

WE HAVE AVOIDED TOO MUCH DETAIL AND SPECIFICS ABOUT THE PROGRAMS THE ZIMBABWE DEVELOPMENT FUND WOULD SUPPORT, HOWEVER, IN THESE DOCUMENTS. DETAILED PROGRAMS ARE PROPERLY THE SUBJECT OF NEGOTIATIONS BETWEEN THE FUND AND THE FUTURE GOVERNMENT OF ZIMBABWE. WE DO NOT HAVE ENOUGH INFORMATION ABOUT THE ZIMBABWE ECONOMY OR SPECIFIC PROJECT POSSIBILITIES TO GO INTO MUCH DETAIL. AND WE WILL PROBABLY HAVE TO BE FLEXIBLE IN ORDER TO TAKE INTO ACCOUNT THE POLITICAL SENSITIVITIES IN A FUTURE, INDEPENDENT RHODESIA.

-- IN PLACING A STRONG EMPHASIS ON DEVELOPMENT, WE HOPE THAT THE PROPOSED ZIMBABWE DEVELOPMENT FUND WILL APPEAL TO BOTH THE ZIMBABWE NATIONALISTS AND THE EUROPEAN POPULATION OF ZIMBABWE. THE EXISTENCE OF AN INTERNATIONAL EFFORT TO SUPPORT ECONOMIC DEVELOPMENT, BENEFITING ALL SEGMENTS OF THE ZIMBABWE POPULATION, COULD BE A POSITIVE FACTOR IN A SUCCESSFUL POLITICAL NEGOTIATION ON RHODESIA.

-- SIR IVOR RICHARD WILL BE IN SOUTHERN AFRICA DURING THE
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LAST FEW DAYS OF DECEMBER AND THE FIRST PART OF JANUARY TO DISCUSS NEW PROPOSALS FOR THE RESUMPTION OF THE GENEVA TALKS. HE IS LIKELY TO BE DISCUSSING THE FUND WITH THE SOUTH AFRICANS, THE FRONT-LINE PRESIDENTS, AND THE VARIOUS PARTIES IN THE NEGOTIATIONS. IT IS LIKELY THAT THE FUND WILL GRADUALLY BECOME MORE A PART OF THE POLITICAL DISCUSSIONS WHICH WE HOPE WILL RESUME IN A MATTER OF WEEKS.

4. OTHER ACTIONS BEING TAKEN

-- WE HAVE APPROACHED MR. MCNAMARA ABOUT THE POSSIBILITY OF WORLD BANK MANAGEMENT OF THE FUND. HE WAS VERY

RECEPTIVE TO OUR IDEAS, AND WE HAVE BEEN WORKING WITH THE WORLD BANK STAFF IN A VERY INFORMAL WAY TO FLESH OUT SOME IDEAS FOR WORLD BANK INVOLVEMENT.

-- AT THE SAME TIME WE ARE MAKING THE APPROACHES TO POTENTIAL DONORS, WE ARE CONSULTING WITH OTHER INTERESTED PARTIES ABOUT THE ZIMBABWE DEVELOPMENT FUND. WE ARE BRIEFING THE FRONT-LINE PRESIDENTS IN DAR-ES-SALAAM, MAPUTO AND LUSAKA, AND THE VARIOUS NATIONALIST LEADERS. WE HAVE KEPT IN TOUCH WITH THE SOUTH AFRICAN GOVERNMENT CONCERNING OUR PROGRESS. INITIAL RESPONSES HAVE BEEN QUITE ENCOURAGING.

-- WE ARE ALSO PROCEEDING WITH PLANS FOR BRIEFINGS OF CONGRESS AND DOMESTIC INTEREST GROUPS.

-- WE HAVE MADE PROVISIONS FOR THE ZIMBABWE DEVELOPMENT FUND IN FY 1978-1979 BUDGET PROPOSALS THAT WE ARE PREPARING FOR CONGRESS. WE EXPECT THAT THE UNITED STATES CONTRIBUTION WOULD BE OF THE ORDER OF \$100 MILLION PER YEAR OVER FIVE YEARS OF WHICH PERHAPS 70 PERCENT WOULD BE IN THE FORM OF A DIRECT CONTRIBUTION TO THE FUND AND THE BALANCE WOULD BE BILATERAL AID ATTRIBUTABLE AS A CONTRIBUTION TO THE FUND.

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-- WE ARE WORKING ON A DRAFT CONGRESSIONAL PRESENTATION ON SOUTHERN AFRICA WHICH SHOULD INCLUDE SOME DISCUSSION OF THE FUND. THIS PRESENTATION SHOULD BE FORWARDED TO CONGRESS SOME TIME AFTER THE PRESIDENT'S BUDGET MESSAGE ON JANUARY 17.

5. NEXT STEPS

-- THE TIMING OF OUR NEXT STEPS IN PROMOTING THE ZIMBABWE DEVELOPMENT FUND WILL BE GEARED CLOSELY TO THE RESUMPTION AND PACE OF THE GENEVA TALKS ON RHODESIA. WE WISH TO MAXIMIZE THE POSITIVE CONTRIBUTION THAT THE FUND COULD HAVE ON THE COURSE OF THE NEGOTIATIONS AND AVOID ANY NEGATIVE IMPACT.

-- WE WILL ALSO JUDGE OUR NEXT STEPS ON RESPONSES THAT WE RECEIVE FROM POTENTIAL DONORS. SCATTERED REPORTING FROM FIVE OR SIX POSTS SO FAR HAS BEEN ENCOURAGING, BUT OFFICIAL POSITIONS HAVE NOT BEEN TAKEN BY ANY OF THE 18 POTENTIAL DONOR COUNTRIES. THE BRITISH FEEL THAT IT WOULD BE USEFUL IF WE WERE TO RECEIVE SOME OFFICIAL RESPONSE FROM ALL POTENTIAL DONOR COUNTRIES BY JANUARY 15 SINCE THIS IS ABOUT THE TIME THE GENEVA CONFERENCE MAY RESUME.

-- ACTION POSTS ARE LIKELY TO RECEIVE QUESTIONS FROM GOVERNMENTS ON THE DOCUMENTS PRESENTED TO THEM THE WEEK

OF DECEMBER 20. THE INFORMATION ABOVE MAY BE USED TO
ANSWER QUESTIONS AS ASKED.

-- POSTS ARE VERY LIKELY TO RECEIVE QUESTIONS ABOUT THE
APPROPRIATENESS OF THEIR CONTRIBUTION RELATIVE TO OTHER
COUNTRIES. POSTS IN BONN, PARIS AND TOKYO CAN POINT OUT
TO GOVERNMENTS THAT THE 10 PERCENT CONTRIBUTION REQUESTED
OF THEM WOULD PROBABLY BE LESS THAN THEIR PRO-RATA SHARE
BASED ON GNP. WE ESTIMATE THAT THE GERMAN CONTRIBUTION
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BASED ON GNP ALONE WOULD BE CLOSER TO 13 PER CENT, THE
JAPANESE CONTRIBUTION CLOSER TO 15 PERCENT, AND THE
FRENCH CONTRIBUTION CLOSER TO 11 PERCENT.

-- CONTRIBUTIONS OF SAUDI ARABIA AND IRAN ARE, OF COURSE,
MORE THAN THEIR PRO-RATA SHARE BASED ON GNP ALONE. POSTS
COULD POINT OUT, HOWEVER, THAT THEIR EXPECTED
PARTICIPATION IS NOT MUCH OUT OF LINE WITH THEIR PRO-
RATA SHARE BASED ON IMF QUOTAS (ABOUT 3 PERCENT), AND THAT
IMF QUOTAS OUGHT TO REFLECT SAUDI AND IRANIAN WEIGHT AND
IMPORTANCE IN WORLD ECONOMIC AFFAIRS.

-- WE BELIEVE IT IS PREMATURE FOR ACTION POSTS TO TAKE
THE INITIATIVE IN DISCUSSING A POSSIBLE DONOR CONFERENCE
WITH GOVERNMENTS, BUT POTENTIAL DONOR GOVERNMENTS MAY
RAISE THE ISSUE WITH EMBASSIES AND EMBASSIES MAY RESPOND
SUBJECT TO THE FOLLOWING GUIDELINES:

-- ON THE MATTER OF A DATE WE WISH TO REMAIN VERY
FLEXIBLE, THE TIMING WILL HAVE TO BE GAUGED CAREFULLY
IN RELATION TO PROGRESS IN THE GENEVA TALKS.

-- WE FAVOR LONDON AS THE SITE OF THE CONFERENCE AND
WOULD LIKE THE BRITISH TO BE IN THE CHAIR. WE HAVE
INDICATED TO THE BRITISH, HOWEVER, THAT WE WOULD
SERIOUSLY CONSIDER JOINT U.S.-U.K. CHAIRMANSHIP OF THE
CONFERENCE AND ARE FLEXIBLE ON THE MATTER OF SITE. WE
OPPOSE THE BRITISH SUGGESTION THAT THE U.S. CHAIR A
DONOR CONFERENCE IN WASHINGTON.

-- OUR IDEA IS THAT THE PURPOSES OF A DONOR CONFERENCE
WOULD BE TO MAKE DONOR PLEDGES AND DISCUSS DRAFT
ARTICLES OF AGREEMENT FOR THE FUND.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 16 SEP 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC DEVELOPMENT, ECONOMIC ASSISTANCE, BRIEFING MATERIALS, FOREIGN POLICY POSITION, TRUST FUNDS, FINANCIAL CONTRIBUTIONS, CAT-A
Control Number: n/a
Copy: SINGLE
Draft Date: 23 DEC 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: coburnhl
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE310502
Document Source: ADS
Document Unique ID: 00
Drafter: E:CRFRANK:NAF/PB
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: P840086-2339, N760009-0370
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761293/baaaerby.tel
Line Count: 320
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN NODS
Original Classification: SECRET
Original Handling Restrictions: NODIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: NODIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: coburnhl
Review Comment: n/a
Review Content Flags:
Review Date: 06 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 APR 2004 by ShawDG>; APPROVED <06 AUG 2004 by coburnhl>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: LOCK1
Status: NATIVE
Subject: ZIMBABWE DEVELOPMENT FUND: FURTHER CONSULTATIONS
TAGS: PDEV, EGEN, EAID, RH
To: BONN
PARIS
LUXEMBOURG
TOKYO
BRUSSELS

ROME
JIDDA
OSLO
COPENHAGEN
ABU DHABI
THE HAGUE
KUWAIT
TEHRAN
DUBLIN
STOCKHOLM INFO LONDON
EC BRUSSELS
CANBERRA
WELLINGTON
OTTAWA

Type: TE

Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006